

City of Detroit

CITY COUNCIL

IRVIN CORLEY, JR.
DIRECTOR
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
E-Mail: irvin@cncl.ci.detroit.mi.us

ANNE MARIE LANGAN
DEPUTY DIRECTOR
(313) 224-1078

TO: COUNCILMEMBERS

FROM: Irvin Corley, Jr., Director *ICJ*
Anne Marie Langan, Deputy Director *AM*

DATE: March 16, 2009

RE: Report on Gaming Tax Revenue through February 2009

For Council's review, the attached schedules present the gaming tax revenue activity through February 2009 and prior fiscal years.

The 2008-2009 budgeted revenue for gaming fees is \$194.78 million. Based on our regular monthly projections, the current analysis projects a deficit of \$21.3 million for this fiscal year.

The city collected \$14.19 million in gaming tax revenue in the eighth month of the fiscal year, which was 9.5% greater than the prior month of January. The February 2009 collection was a 4.1% increase over February 2008. Comparing revenue collections between fiscal years, the first eight months of FY 2009 show collections of \$118 million, compared with the first eighth months of FY 2008 reporting \$122 million, a 3.7% drop.

Adjusted gross casino gaming receipts came in at \$116.9 million for the month of February 2009. This represented a 9.4% increase over the prior month and a 4.11% increase over February 2008. In a different comparison, the first eight months of the current fiscal year compared with the same time period in the prior fiscal year shows that receipts are down by 1.43%.

There is not a one-to-one relationship between the adjusted gross receipts and the tax revenue collection increases due to two factors. First, there is the fact that MGM and Motor City casinos began paying the city 1% less because of the permanent casinos opening on October 3 and November 29 of 2007. This reduction to the city is part of state Public Act 306 of 2004, when the legislature amended Public Act 69 of 1997, which was the original casino gaming legislation. P.A. 306 increased the wagering tax by 6% of which 2% went to the City of Detroit. The caveat was that when the

permanent casino had been certified by the state gaming board as having operated for 30 consecutive days, 5% of the 6% additional wagering tax would be eliminated, with the remaining 1% allocated to the city where the casino is being operated. Greentown will continue to pay the 6% additional wagering tax – 4% to the state, 2% to the city – until the permanent is open for thirty days, which was scheduled for February 2009.

Second, the amended development agreement of August 2002 between the city and the casinos, which is separate from the state law, has all casinos, beginning in January 2006, paying an additional 1% over the state law, plus another 1% when the casino reaches \$400 million in gross receipts in a calendar year. For the third year in a row, due to MGM and Motor City reaching \$400 million in the calendar year, gaming tax collections will spike by \$10.5 million between September and December. MGM did reach \$400 million in early September, and should have transferred to the City the initial \$4.37 million of the additional 1% within 10 days as stipulated in the development agreement. It does not appear that the amended casino development agreement included any penalty for late remittance, which MGM unfortunately has taken advantage of every year. Motor City did reach \$400 million during the month of November and has consistently remitted the funds to the city within the proper timeframe as outlined in the development agreement. It is not projected that Greentown will reach that threshold.

Attachments (9)

cc: Council Divisions
Auditor General
Joseph Harris, Chief Financial Officer
Pamela Scales, Budget Director
Renee Short, Budget Manager
Tanya Stoudemire, Finance - Project Administration
Arese Robinson, Mayor's Office

Chart 1

Monthly Comparison Detroit Gaming Tax Collections By Fiscal Year

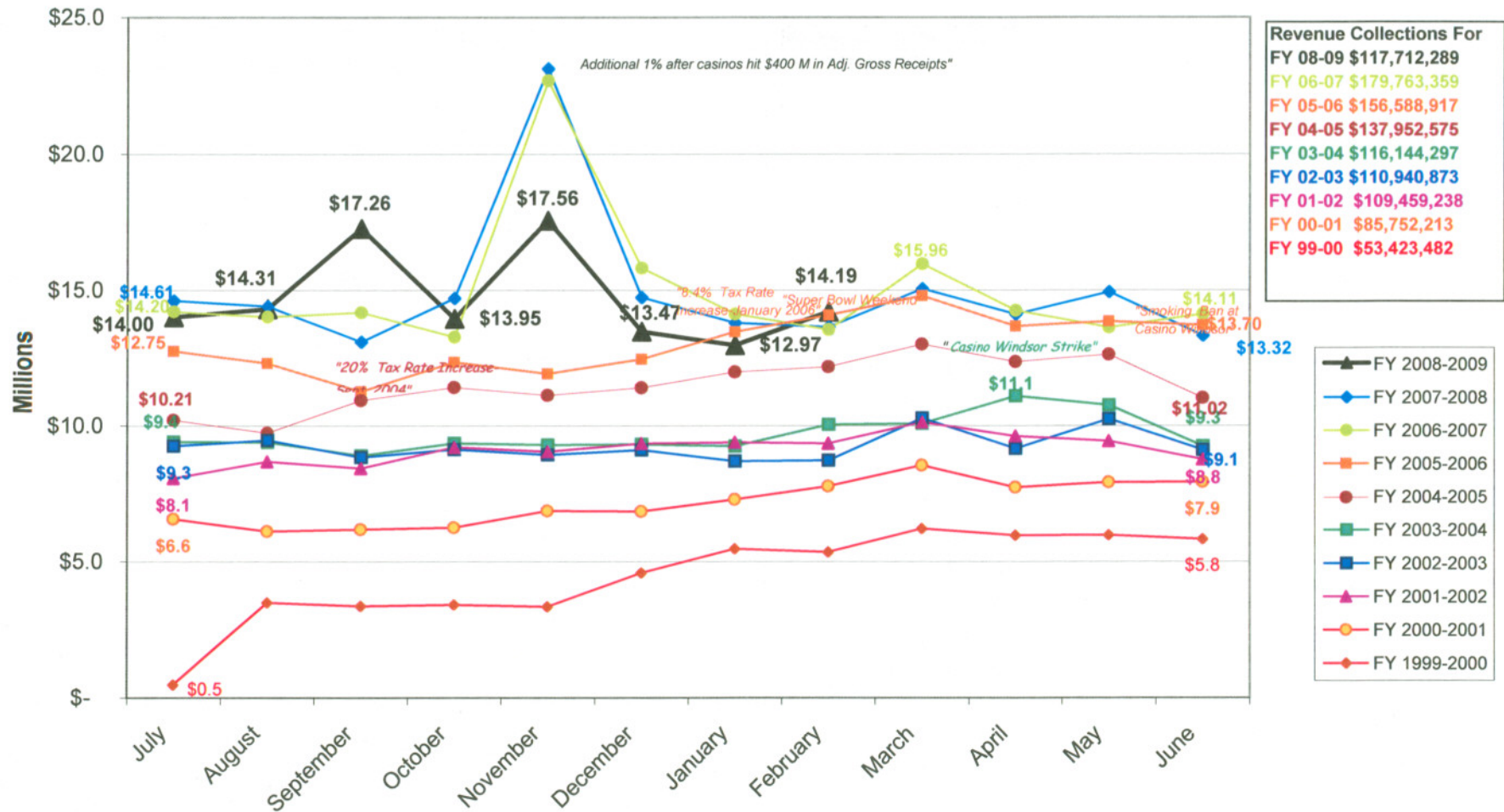


Chart1A

Monthly Comparison Adjusted Gross Casino Gaming Receipts By Fiscal Year

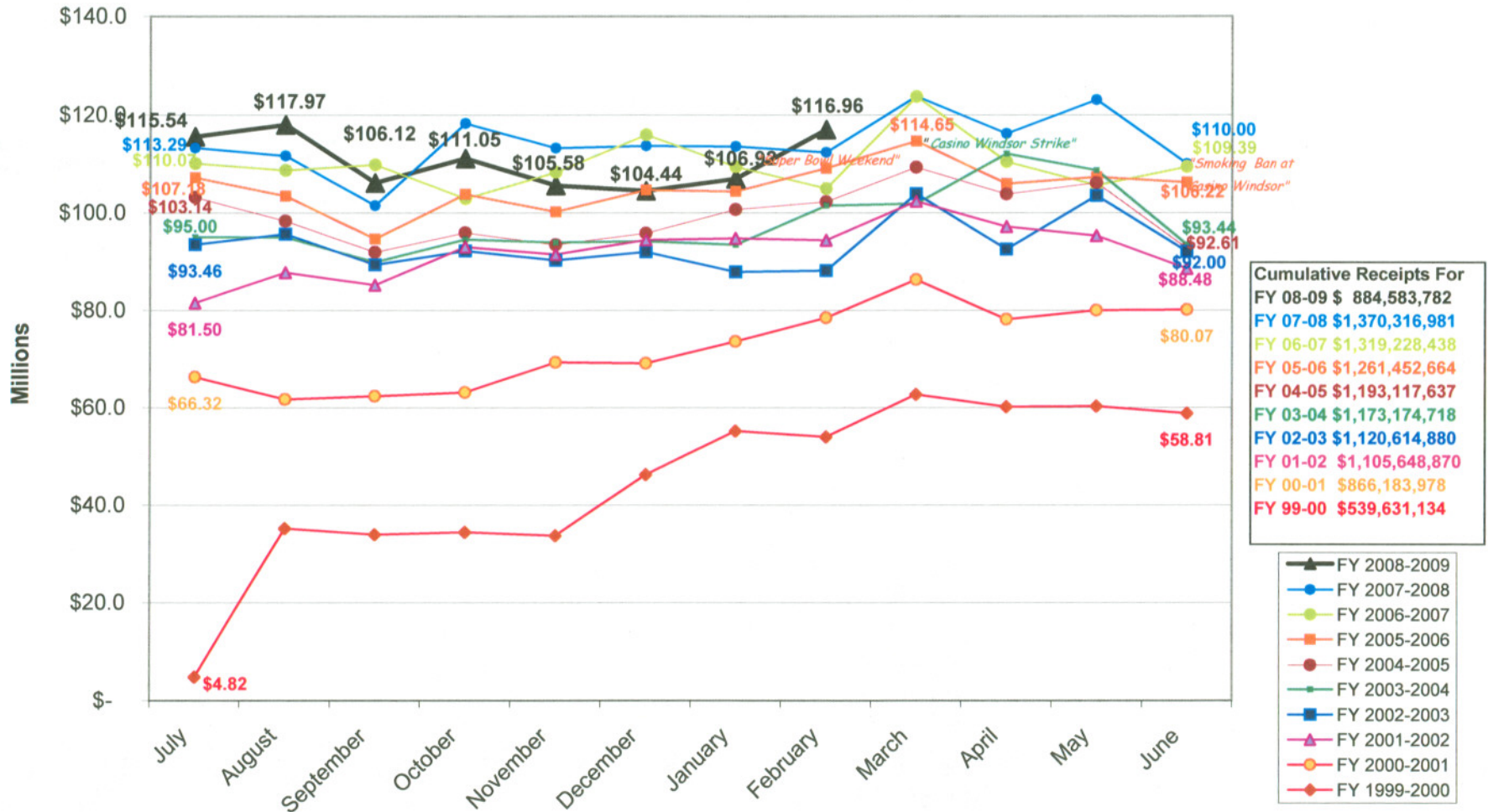


Chart 2

Monthly Detroit Gaming Tax Collections

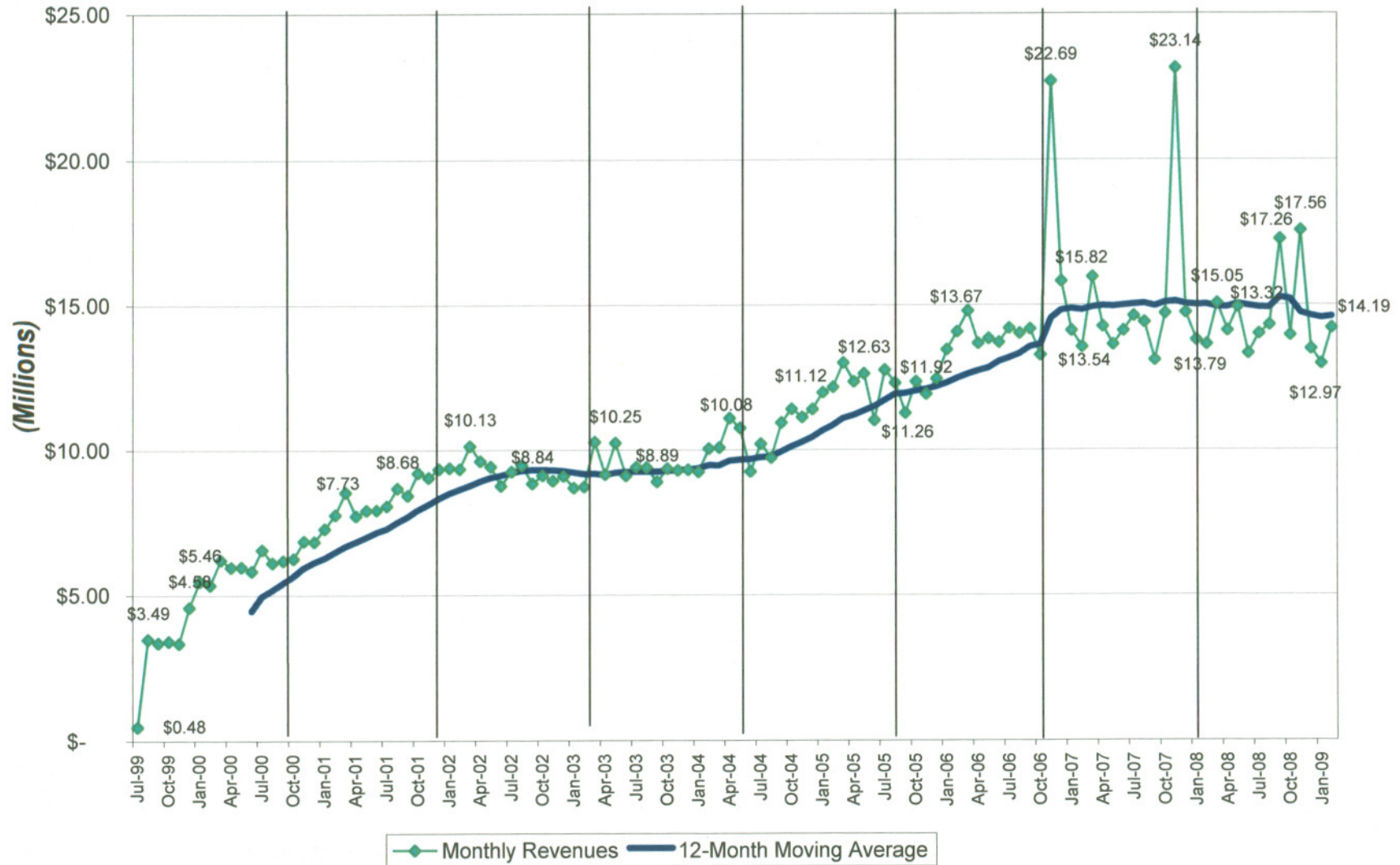


Chart 2A

Monthly Adjusted Gross Casino Gaming Receipts

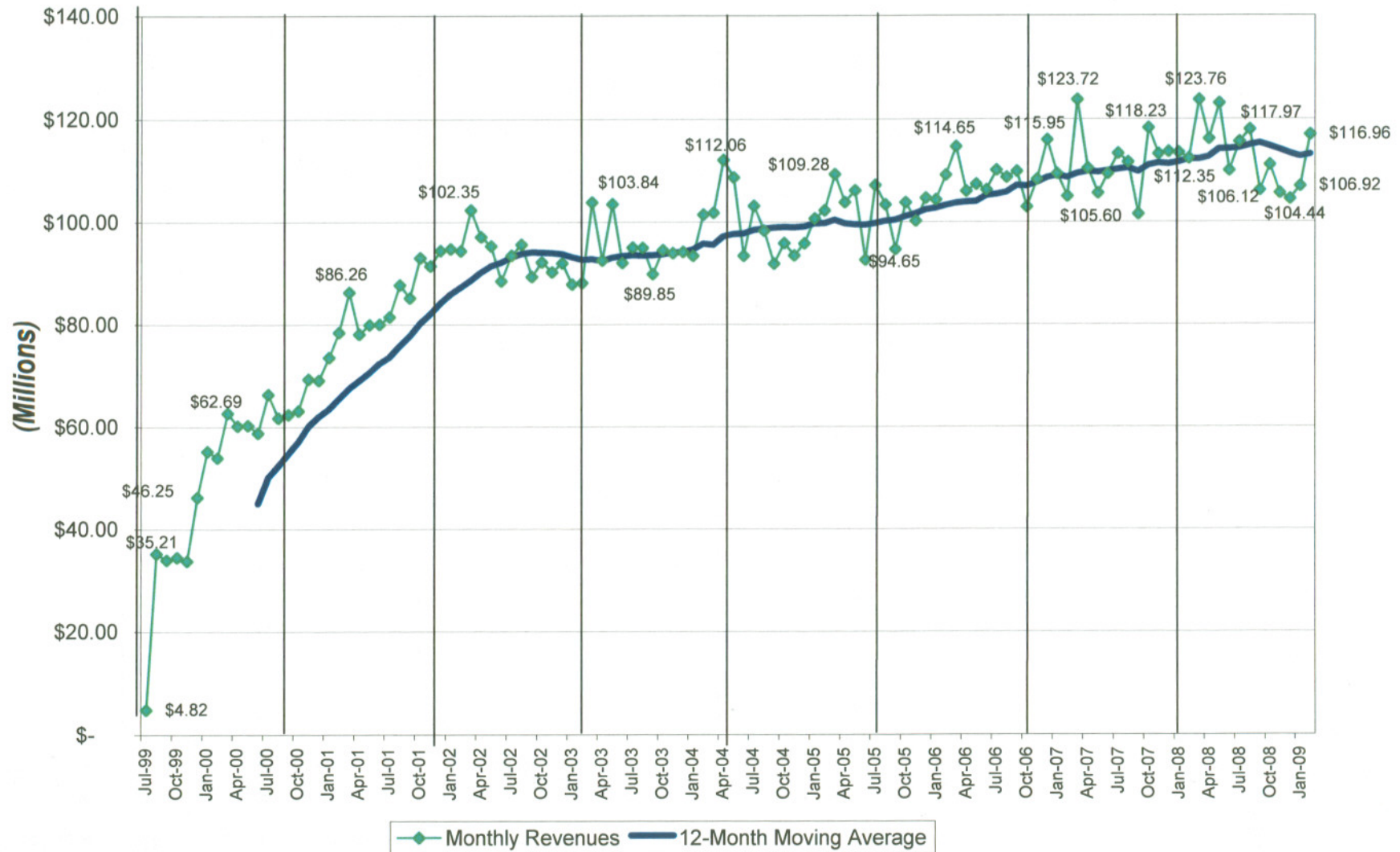


Chart 3

MGM Monthly Comparison Adjusted Gross Gaming Receipts By Fiscal Year

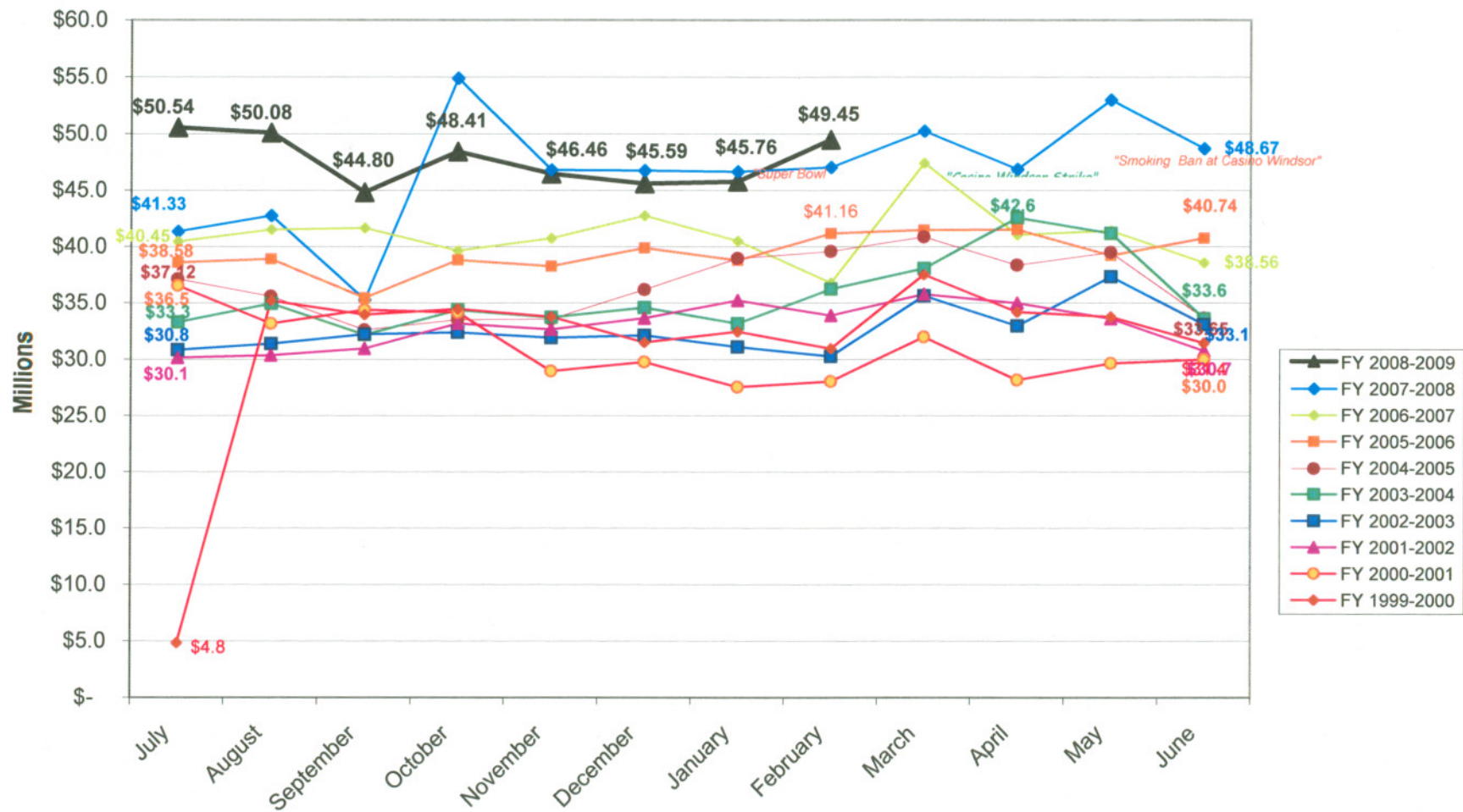


Chart 4

Motor City Monthly Comparison Adjusted Gross Gaming Receipts By Fiscal Year

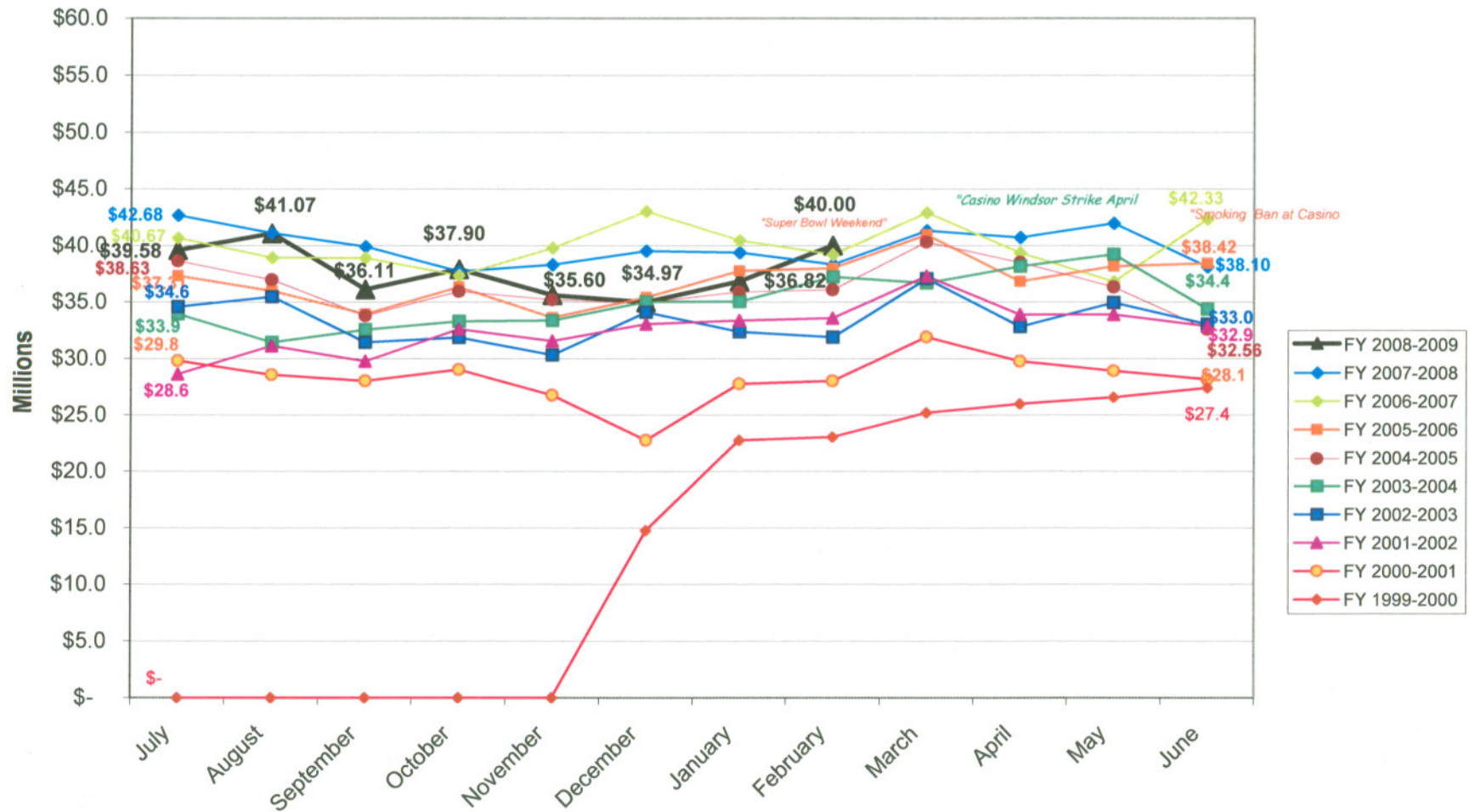


Chart 5

Greektown Monthly Comparison Adjusted Gross Gaming Receipts By Fiscal Year

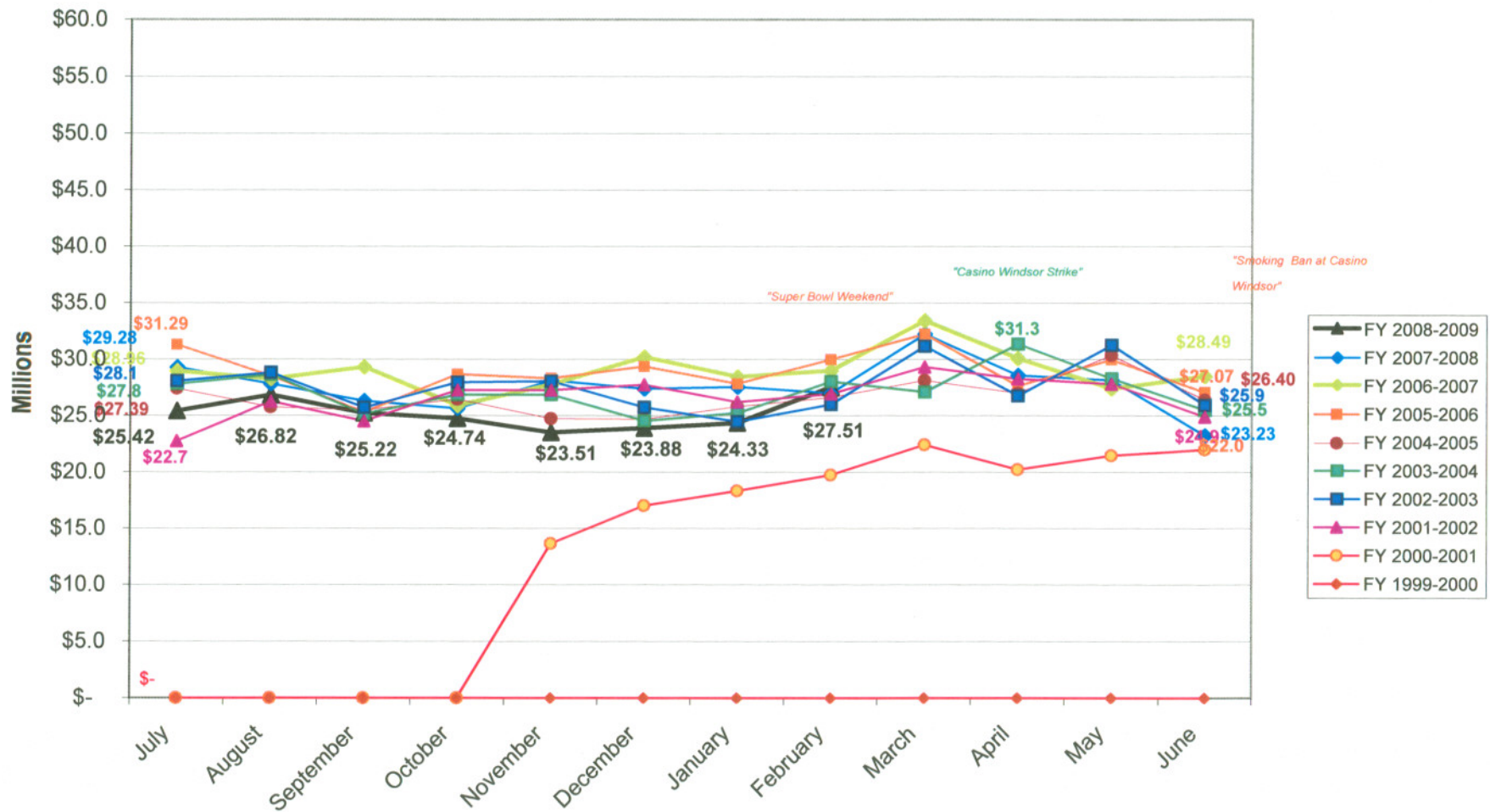


Table 1

Wagering Tax Proj - All Casinos

	Total Adjusted Gross Receipts	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts
	FY 99-00	FY 00-01			FY 01-02			FY 02-03			FY 03-04			FY 04-05
July	\$ 4,818,554.11	\$ 66,323,549.18	12.77%	1276.42%	\$ 81,496,908.67	1.78%	22.88%	\$ 93,464,344.37	5.63%	14.68%	\$ 94,996,882.60	3.26%	1.64%	\$ 103,137,181.92
August	\$ 35,206,963.97	\$ 61,725,994.28	-6.93%	75.32%	\$ 87,712,104.68	7.63%	42.10%	\$ 95,624,361.82	2.31%	9.02%	\$ 94,945,297.86	-0.05%	-0.71%	\$ 98,284,018.21
September	\$ 33,951,508.55	\$ 62,400,590.64	1.09%	83.79%	\$ 85,194,954.99	-2.87%	36.53%	\$ 89,330,627.77	-6.58%	4.85%	\$ 89,846,284.46	-5.37%	0.58%	\$ 91,879,662.05
October	\$ 34,457,655.34	\$ 63,154,788.42	1.21%	83.28%	\$ 93,009,539.88	9.17%	47.27%	\$ 92,160,878.71	3.17%	-0.91%	\$ 94,497,435.81	5.18%	2.54%	\$ 95,876,962.42
November	\$ 33,753,191.20	\$ 69,311,190.20	9.75%	105.35%	\$ 91,433,716.17	-1.69%	31.92%	\$ 90,243,781.15	-2.08%	-1.30%	\$ 93,902,353.28	-0.63%	4.05%	\$ 93,449,975.38
December	\$ 46,250,828.30	\$ 69,524,423.42	0.31%	50.32%	\$ 94,402,799.35	3.25%	35.78%	\$ 91,920,659.97	1.86%	-2.63%	\$ 94,143,405.98	0.26%	2.42%	\$ 95,793,618.31
January	\$ 55,200,849.45	\$ 73,592,001.56	5.85%	33.32%	\$ 94,761,814.26	0.38%	28.77%	\$ 87,887,493.44	-4.39%	-7.25%	\$ 93,418,339.78	-0.77%	6.29%	\$ 100,641,632.70
February	\$ 53,986,302.45	\$ 75,747,462.08	2.93%	40.31%	\$ 94,372,441.05	-0.41%	24.59%	\$ 88,132,675.16	0.28%	-6.61%	\$ 101,448,959.91	8.60%	15.11%	\$ 102,234,696.19
March	\$ 62,688,959.46	\$ 86,262,860.21	13.88%	37.60%	\$ 102,350,849.53	8.45%	18.65%	\$ 103,839,988.50	17.82%	1.45%	\$ 101,817,213.41	0.36%	-1.95%	\$ 109,276,275.06
April	\$ 60,187,608.42	\$ 78,094,868.65	-9.47%	29.75%	\$ 97,128,696.05	-5.10%	24.37%	\$ 92,518,292.64	-10.90%	-4.75%	\$ 112,058,689.00	10.06%	21.12%	\$ 103,817,060.60
May	\$ 60,316,238.91	\$ 79,973,338.46	2.41%	32.59%	\$ 95,300,333.75	-1.88%	19.17%	\$ 103,491,412.70	11.86%	8.60%	\$ 108,663,278.95	-3.03%	5.00%	\$ 106,113,250.65
June	\$ 58,812,474.03	\$ 80,072,911.35	0.12%	36.15%	\$ 88,484,712.03	-7.15%	10.51%	\$ 92,000,364.73	-11.10%	3.97%	\$ 93,436,577.00	-14.01%	1.56%	\$ 92,613,303.37
TOT RECEIPTS thru FY	\$ 539,631,134.19	\$ 866,183,978.45		60.51%	\$ 1,105,648,870.41		27.65%	\$ 1,120,614,880.96		1.35%	\$ 1,173,174,718.04		4.69%	\$ 1,193,117,636.86
Receipts thru Cal Yr.														
Wagering Tax - pre 9/2004 (State Law)	9.90%	9.90%			9.90%			9.90%			9.90%			9.90%
Wagering Tax - post 9/2004 (State Law)														11.90%
Wagering Tax - post 1/2006 (Dev. Agrmt)														
Add 1% after calendar year hits \$400 M (Dev. Agrmt)														
Wagering Tax - post 10/07 - 30 days after permanent opens (State Law)														
Wagering Tax FYTD	\$ 53,423,482.28	\$ 85,752,213.87			\$ 109,459,238.17			\$ 110,940,873.22			\$ 116,144,297.09			\$ 137,952,574.78
Add 1.7% after Casino reaches \$400M during calendar year (Dev Agrmt)														
Total FYTD														
First 8 Month's Receipts	\$ 297,625,853.37	\$ 541,779,999.78		82.03%	\$ 722,384,279.05		33.34%	\$ 728,764,822.39		0.88%	\$ 757,198,959.68		3.90%	\$ 781,297,747.18
Last 4 Months	\$ 242,005,280.82	\$ 324,403,978.67			\$ 383,264,591.36			\$ 391,850,058.57			\$ 415,975,758.36			\$ 411,819,889.68
Ratio of first 8 months to last 4 months	81.31%	59.88%			53.06%			53.77%			54.94%			52.71%
est. last 4 months of fiscal year														
est. annual collection														
inc. over prev. yr.														
Estimated wagering tax														
Budget	\$ 51,500,000.00	\$ 80,700,000.00		56.70%	\$ 95,800,000.00		18.71%	\$ 105,000,000.00		9.60%	\$ 110,000,000.00		4.76%	\$ 117,600,000.00
Surplus/Deficit	\$ 1,923,482.28	\$ 5,052,213.87		162.66%	\$ 13,659,238.17		170.36%	\$ 5,940,873.22		-56.51%	\$ 6,144,297.09		3.42%	\$ 20,352,574.78

Table 1

Wagering Tax Proj - All Casinos

	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year	Total Adjusted Gross Receipts	Chng. over prior month	Chng. over prior year
			FY 05-06			FY 06-07			FY 07-08			FY 08-09		
July	10.38%	8.57%	\$ 107,183,066.76	15.73%	3.92%	\$ 110,072,837.97	3.63%	2.70%	\$ 113,292,228.60	3.57%	2.92%	\$ 115,539,885.15	5.04%	1.98%
August	-4.71%	3.52%	\$ 103,404,489.92	-3.53%	5.21%	\$ 108,670,718.41	-1.27%	5.09%	\$ 111,638,470.47	-1.46%	2.73%	\$ 117,966,649.27	2.10%	5.67%
September	-6.52%	2.26%	\$ 94,646,506.32	-8.47%	3.01%	\$ 109,837,729.27	1.07%	16.05%	\$ 101,472,179.99	-9.11%	-7.62%	\$ 106,123,890.39	-10.04%	4.58%
October	4.35%	1.46%	\$ 103,785,884.07	9.66%	8.25%	\$ 102,879,908.44	-6.33%	-0.87%	\$ 118,232,375.81	16.52%	14.92%	\$ 111,054,369.91	4.65%	-6.07%
November	-2.53%	-0.48%	\$ 100,200,007.05	-3.46%	7.22%	\$ 108,282,401.97	5.25%	8.07%	\$ 113,205,571.06	-4.25%	4.55%	\$ 105,577,595.23	-4.93%	-6.74%
December	2.51%	1.75%	\$ 104,627,713.94	4.42%	9.22%	\$ 115,954,230.89	7.09%	10.83%	\$ 113,644,454.00	0.39%	-1.99%	\$ 104,443,448.24	-1.07%	-8.10%
January	5.06%	7.73%	\$ 104,344,788.88	-0.27%	3.68%	\$ 109,395,456.08	-5.66%	4.84%	\$ 113,538,879.23	-0.09%	3.79%	\$ 106,916,307.76	2.37%	-5.83%
February	1.58%	0.77%	\$ 109,110,654.88	4.57%	6.73%	\$ 104,978,178.00	-4.04%	-3.79%	\$ 112,348,111.49	-1.05%	7.02%	\$ 116,961,635.84	9.40%	4.11%
March	6.89%	7.33%	\$ 114,646,495.31	5.07%	4.91%	\$ 123,724,595.76	17.86%	7.92%	\$ 123,755,237.80	10.15%	0.02%	\$ -	-100.00%	-100.00%
April	-5.00%	-7.35%	\$ 105,961,980.53	-7.58%	2.07%	\$ 110,447,576.58	-10.73%	4.23%	\$ 116,140,232.49	-6.15%	5.15%	\$ -	#DIV/0!	-100.00%
May	2.21%	-2.35%	\$ 107,320,342.18	1.28%	1.14%	\$ 105,599,379.09	-4.39%	-1.60%	\$ 123,052,907.87	5.95%	16.53%	\$ -	#DIV/0!	-100.00%
June	-12.72%	-0.88%	\$ 106,220,734.54	-1.02%	14.69%	\$ 109,385,425.87	3.59%	2.98%	\$ 109,996,332.91	-10.61%	0.56%	\$ -	#DIV/0!	-100.00%
TOT RECEIPTS thru FY		1.70%	\$ 1,261,452,664.38		5.73%	\$ 1,319,228,438.33		4.58%	\$ 1,370,316,981.72		3.87%	\$ 884,583,781.79		-35.45%
Receipts thru Cal Yr.									\$ 993,695,395.73			\$ 1,043,238,557.78		
Wagering Tax - pre 9/2004 (State Law)														
Wagering Tax - post 9/2004 (State Law)			11.90%											
Wagering Tax - post 1/2006 (Dev. Agmt)			12.90%			12.90%			12.90%			12.90%		
Add 1% after calendar year hits \$400 M (Dev. Agmt)						1.00%			1.00%			1.00%		
Wagering Tax - post 10/07 - 30 days after permanent opens (State Law)									11.90%			11.90%		
Wagering Tax FYTD Add 1% after Casino reaches \$400M during calendar year (Dev Agmt)		18.78%	\$ 156,588,917.02		13.51%	\$ 170,180,468.54			\$ 168,809,946.93			\$ 107,279,903.87		
						\$ 9,582,890.79			\$ 9,936,953.96			\$ 10,432,385.58		
Total FYTD						\$ 179,763,359.33			\$ 178,746,900.89		-0.57%	\$ 117,712,289.45		
First 8 Month's Receipts		3.18%	\$ 827,303,111.82		5.89%	\$ 870,071,461.03		5.17%	\$ 897,372,270.65		3.14%	\$ 884,583,781.79		-1.43%
Last 4 Months		-1.00%	\$ 434,149,552.56		5.42%	\$ 449,156,977.30		3.46%	\$ 472,944,711.07		5.30%			
Ratio of first 8 months to last 4 months			52.48%			51.62%			52.70%			52.38%		4 year avg.
est. last 4 months of fiscal year est. annual collection inc. over prev. yr.												\$ 463,780,688.96		-1.94%
Estimated wagering tax												\$ 173,475,407.10		-2.95%
Budget		6.91%	\$ 153,000,000.00		30.10%	\$ 184,850,000.00		20.82%	\$ 193,248,000.00		4.54%	\$ 194,780,000.00		0.79%
Surplus/Deficit		231.24%	\$ 3,588,917.02			\$ (5,086,640.67)			\$ (14,501,099.11)			\$ (21,304,592.90)		